

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **CHAIRMAN JOE MCKENNEY**, on March 24, 2003 at 10:00 A.M., in Room 172 Capitol.

ROLL CALL

Members Present:

Rep. Joe McKenney, Chairman (R)
Rep. Jim Keane, Vice Chairman (D)
Rep. Donald Steinbeisser, Vice Chairman (R)
Rep. Bob Bergren (D)
Rep. Rod Bitney (R)
Rep. Sylvia Bookout-Reinicke (R)
Rep. Nancy Fritz (D)
Rep. Dave Gallik (D)
Rep. Ray Hawk (R)
Rep. Bob Lawson (R)
Rep. Rick Maedje (R)
Rep. Gary Matthews (D)
Rep. Scott Mendenhall (R)
Rep. Penny Morgan (R)
Rep. Allen Rome (R)
Rep. Sandy Weiss (D)
Rep. Bill Wilson (D)

Members Excused: Rep. Kathleen Galvin-Halcro (D)

Members Absent: None.

Staff Present: Bart Campbell, Legislative Branch
Alberta Strachan, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 304 (3/14/03); SB 315 (3/14/03)
Executive Action: SB 363 Be Concurred As Amended

HEARING ON SB 315

Sponsor: SEN. TRUDI SCHMIDT, SD 21, Great Falls

Opening Statement by Sponsor:

SEN. SCHMIDT said this bill provides for a feasibility study to assess conditions affecting rail freight competition in Montana and to analyze possibilities to improve rail freight competition.
{Tape: 1; Side: A; Approx. Time Counter: 34 - 73}

Proponents:

Richard Owen, Montana Grain Growers Association, said this bill will have benefits for the agricultural community by making sure the financial resources are available to get it done.

EXHIBIT (buh62a01)

{Tape: 1; Side: A; Approx. Time Counter: 73 - 110}

Dave Gibson, Governor's Office, said exports are critical. Participation in the growth of economy to get Montana's products to market is essential. His office managed this project of drafting the bill. The technical work will be contracted out for the study. If the money is not received they will not do the study. There is no fiscal impact for the State. They need to get the money they need from outside sources to aid in funding a good quality study. Burlington Northern does control the freight that passes through Montana. It is going to take time and expertise to do this study.

{Tape: 1; Side: A; Approx. Time Counter: 110 - 155}

Jerry Chavez, Great Falls Development Authority, said as far as freight rates are concerned, this is an important subject. Our agricultural communities and the future of economic development as it relates to agriculture needs to progress forward.

{Tape: 1; Side: A; Approx. Time Counter: 155 - 194}

Bob Frazier, Chairman, Canadian/American Border Trade Alliance, said Montana's economic growth and a global economy must be linked to specific strategies that enhance the export markets. The State needs to set a goal of five additional spur lines during this decade to let shipping competition into the market. This testimony was presented by the Sponsor, SEN. SCHMIDT.

{Tape: 1; Side: A; Approx. Time Counter: 194 - 290}

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. MORGAN asked Mr. Gibson if Burlington Northern owned some of the rail lines. **Mr. Gibson** said, "Yes."

{Tape: 1; Side: A; Approx. Time Counter: 293 - 348}

REP. BITNEY asked Mr. Gibson if Montana had the current infrastructure to export or transport coal if there is increased coal production. **Mr. Gibson** said it would require additional rail links. Otter Creek Tracks Development or the Bull Mountain Project will also require additional rails.

{Tape: 1; Side: A; Approx. Time Counter: 348 - 390}

REP. WEISS asked Mr. Chavez about the rail rates in Montana, and if they are 20%-40% higher than in states around Montana. **Mr. Chavez** said this was the information that had at this time.

{Tape: 1; Side: A; Approx. Time Counter: 390 - 420}

REP. MAEDJE asked Mr. Gibson about the incentive to build more track. **Mr. Gibson** said the intent of the study is to say there are policy decisions at the State level that could encourage rural competition.

{Tape: 1; Side: A; Approx. Time Counter: 420 - 470}

REP. BERGREN asked SEN. SCHMIDT about the feasibility study.

SEN. SCHMIDT said the title of the bill addresses the feasibility study and the areas concerned.

{Tape: 1; Side: A; Approx. Time Counter: 470 - 499}

REP. KEANE asked Mr. Gibson if a penalty could be imposed on the rail people until they could get the rate for hauling down to a more affordable level. **Mr. Gibson** said he did, in his last answer, indicate the study would explore all alternatives.

{Tape: 1; Side: A; Approx. Time Counter: 499 - 515}

Closing by Sponsor:

The Sponsor closed and indicated that REP. GOLIE would carry the bill on the House Floor.

HEARING ON SB 304

Sponsor: SEN. ROYAL JOHNSON, SD 5, Billings

Opening Statement by Sponsor:

SEN. JOHNSON said this bill directs a committee to determine if it is cost-effective and in the best interest of the State to sell all or a portion of the State Compensation Insurance Fund assets and liabilities. This bill would also provide a solicitation of proposals for the purchase of the assets and liabilities and provide for a report to the 59th Legislature which would require legislative approval of the sale. He also offered amendments.

{Tape: 1; Side: B; Approx. Time Counter: 1 - 149}

Proponents' Testimony:

Tom Beck, Chief Policy Advisor, Governor's Office, stated that Governor said there should be a study done on this prospect. They think it is appropriate at this time to review the effectiveness of the Workers' Compensation Fund. Before the Workers' Compensation Fund is ever sold, Montana must be in a good position to protect the working people and the employers of the State. There are technical issues that must be reviewed in the fiscal note.

{Tape: 1; Side: B; Approx. Time Counter: 148 - 178}

REP. BITNEY said he wanted to welcome the students and visitors to the Committee hearing. The Committee is discussing workers' compensation which is a type of insurance paid by the employers for the employees. This insurance is related to illness or injury on the job.

{Tape: 1; Side: B; Approx. Time Counter: 172 - 200}

Webb Brown, Montana Chamber of Commerce, said in the past when a worker was injured on the job they had to bring charges against the employer for compensation to win any damages. Currently Workers' compensation on the job is automatically paid.

{Tape: 1; Side: B; Approx. Time Counter: 200 - 238}

Jerry Driscoll, Montana State AFL-CIO, said the last time the State Fund was studied by a legislative committee was 1989. In this study, if Montana does decide to sell the State Fund, they must return to the legislature and ask permission. The study must identify how they are going to establish an assigned risk pool if there is no state fund. Every employer must have workers' compensation insurance. A private sector does not provide it unless they choose to. The State Fund must sell an employer insurance for his employees.

{Tape: 1; Side: B; Approx. Time Counter: 227 - 279}

Sue Weingartner, Alliance of American Insurers, said this bill is the right idea at the right time. It provides an opportunity to examine this issue and conduct an objective study to determine if Montanans are receiving fair treatment at the best rates and value for their money. Montana citizens deserve to know.

{Tape: 1; Side: B; Approx. Time Counter: 269 - 309}

Opponents' Testimony:

Jacqueline Lenmark, American Insurance Association, said they were strongly supportive of studies and consideration of any mechanism that might improve the workers' compensation market in Montana and this bill may not be that focus. The focus may be only on the sale of this one insurance company and not on other mechanisms that may be available. The State Fund serves a very important public purpose; to serve as the market of last resort. All of the public should contribute to the funding and the study should come from the general fund and not from the policyholders of one insurance company. If you have the State Fund funding this study, it is only those policyholders who will be contributing to the study.

{Tape: 1; Side: B; Approx. Time Counter: 309 - 383}

Informational Testimony:

Matthew Cohn, Montana State Fund, said he was available for questions from the Committee.

{Tape: 1; Side: B; Approx. Time Counter: 383 - 490}

Questions from Committee Members and Responses:

REP. KEANE asked **SEN. JOHNSON** if, while this bill had been changed to "a study of the State Fund," there is reference in the bill to having the right to sell the State Fund. **SEN. JOHNSON** said the term "study the sale of the State Fund" had inadvertently been put into the bill.

{Tape: 1; Side: B; Approx. Time Counter: 478 - Tape: 2; Side: A; Approx. Time Counter: 30}

REP. WEISS said she had only a point of clarification. The politically correct name should be Workers' Compensation and not Workmans' Compensation.

{Tape: 2; Side: A; Approx. Time Counter: 22 - 26}

REP. MATTHEWS asked Mr. Cohn about the statement regarding the State Fund reaching \$185 million worth of premiums, and asked when that occurred. **Mr. Cohn** said that it was in 1994 or 1995.

{Tape: 2; Side: A; Approx. Time Counter: 26 - 47}

REP. BITNEY asked Mr. Cohn how many employees are currently with the State Fund. **Mr. Cohn** said 256 FTE are employed at the State Fund.

{Tape: 2; Side: A; Approx. Time Counter: 47 - 64}

REP. BOOKOUT-REINICKE asked SEN. JOHNSON about the State Fund providing money for the study. **SEN. JOHNSON** said the State Fund, if sold, would become a private company. He also said he was far more comfortable with the way the State Fund will now conduct this study. In a previous study, the State Fund picked the people on the committee to review the State Fund.

{Tape: 2; Side: A; Approx. Time Counter: 64 - 115}

REP. MAEDJE asked Ms. Weingartner about the mandatory provisions regarding risk pools. **Ms. Weingartner** said she would need time to assemble that information.

{Tape: 2; Side: A; Approx. Time Counter: 115 - 137}

REP. MORGAN asked Mr. Cohn if the State Fund contributed to the General Fund. **Mr. Cohn** said the money from the old Fund is being transferred into the General Fund but the new Fund money is not being transferred.

{Tape: 2; Side: A; Approx. Time Counter: 137 - 187}

REP. ROME asked Ms. Lenmark if there were other companies that had any lower rates than the State Fund. **Ms. Lenmark** said, "Yes."

{Tape: 2; Side: A; Approx. Time Counter: 187 - 201}

REP. KEANE asked Mr. Cohn about the \$100,000 for the study, and noted that there is an amendment limiting the funding for this study. **Mr. Cohn** said that figure was passed by the Senate committee.

{Tape: 2; Side: A; Approx. Time Counter: 201 - 234}

REP. GALLIK asked SEN. JOHNSON about his opening remarks regarding the study and sale of the State Fund. He stated that the bill makes no reference to doing a study on the sale of the State Fund. **SEN. JOHNSON** said on Line 6 of the title there is indication of the sale in part or in whole of the sale of the State Fund.

{Tape: 2; Side: A; Approx. Time Counter: 234 - 310}

Closing by Sponsor:

The Sponsor closed.

{Tape: 2; Side: A; Approx. Time Counter: 310 - 470}

EXECUTIVE ACTION ON SB 363

{Tape: 2; Side: B; Approx. Time Counter: 1 - 278}

Motion: REP. BOOKOUT-REINICKE moved that SB 363 BE CONCURRED IN.

Motion: REP. BOOKOUT-REINICKE moved that SB 363 BE AMENDED.

EXHIBIT (buh62a02)

Discussion:

REP. GALLIK said that he approves of the amendment.

REP. MORGAN indicated that some trucking firms were in the business of hauling hazardous waste. REP. BOOKOUT-REINICKE said, "If there was hazardous waste, the liability was carried by the Department of Environmental Quality."

Vote: A roll call vote was taken. Motion carried 11-7 to adopt amendments. REPS. BERGREN, BITNEY, FRITZ, GALLIK, GALVIN-HALCRO, WEISS, WILSON voting no and REP. KEANE giving a voice vote for REP. GALVIN-HALCRO.

Discussion:

REPS. KEANE, GALLIK, WEISS, BITNEY opposed the bill.

Motion/Vote: REP. BOOKOUT-REINICKE moved that SB 363 BE CONCURRED IN AS AMENDED. A roll call vote was taken. Motion carried 11-7 REPS. BERGREN, KEANE, FRITZ, GALLIK, GALVIN-HALCRO, WEISS, WILSON voting no and REP. KEANE giving a voice vote for REP. GALVIN-HALCRO.

REP. BRUEGGEMAN will carry the bill on the House Floor.

ADJOURNMENT

Adjournment: 12:00 A.M.

REP. JOE MCKENNEY, Chairman

ALBERTA STRACHAN, Secretary

JM/AS

EXHIBIT (buh62aad)